



Towards a cleaner environment



*NOTICE OF
ANNUAL GENERAL MEETING
30 NOVEMBER 2005*

>>> NOTICE OF ANNUAL GENERAL MEETING

VIROTEC INTERNATIONAL LTD

ACN 004 801 398

Notice is given that the Annual General Meeting of Virotec International Ltd (the 'Company') will be held at ASX Lecture Theatre, Level 5, 123 Eagle Street, Brisbane, Australia commencing at 10.30am (AEST) on 30 November 2005.

ITEMS OF BUSINESS

Item 1: Financial statements and reports

To receive and consider the financial statements and the reports of the Directors and the Auditor in respect of the financial year ended 30 June 2005.

Item 2: Directors' Remuneration Report

To consider and, if thought fit, to pass the following ordinary resolution:

'That the section of the Report of the Directors dealing with the remuneration of the Company's Directors, Company Secretary and senior executives ('Remuneration Report') be adopted.'

Item 3: Election of director

To consider and, if thought fit, to pass the following as ordinary resolution:

'That David Murray McConchie, who retires by rotation in accordance with rule 16.1 of the Company's constitution, and being eligible, be re-elected as a director of the Company.'

Item 4: Removal from the Official List of ASX

To consider, and if thought fit, pass the following ordinary resolution:

'That the Company seek approval from the Australian Stock Exchange Limited to be removed from the Official List of the Australian Stock Exchange on or after 31 December 2005.'

Item 5: Issue of options to Neil Bardach

To consider and, if thought fit, pass the following ordinary resolution:

'That pursuant to section 208(1)(a) of the Corporations Act and Listing Rules 10.11 and 10.14 the members of the Company approve the granting of 5,000,000 to Neil Bardach on the terms set out in the Explanatory Notes.'

Item 6: Amendment to the Option Incentive Scheme

To consider, and if thought fit, pass the following special resolution:

'That the Option Incentive Scheme adopted by the Company be amended to reflect the terms of the Option Incentive Scheme set out in Annexure A to this Notice of Meeting'

Item 7: Approval of previous issue of shares

To consider, and if thought fit, pass the following ordinary resolution:

'That approval be given for all purposes, including the requirements of ASX Listing Rule 7.4, for the issue of 31,000,000 fully paid ordinary shares in the Company as detailed in the Explanatory Notes'.

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Item 8: Approval of Option Incentive Scheme

To consider, and if thought fit, pass the following ordinary resolution:

The approval be given, for all purposes, including ASX Listing Rule 7.2 Exception 9(b), to any issue of options under the Virotec Option Incentive Scheme.'

Other Business

To consider any other business brought forward in accordance with the Company's constitution or the Corporations Act.

By Order of the Board

AJ Craig
Company Secretary
19 October 2005

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Voting exclusion statements

As required by the ASX Listing Rules and section 224(1) of the Corporations Act the Company will disregard any votes cast on the proposed resolutions are described below:

- > Item 5 (Issue of options to Neil Bardach) - any votes cast by Neil Bardach or any of his associates;
- > Item 7 (Approval of previous issue of shares) - any votes cast by any person or entity issued and allotted any of the shares the subject of the above resolution, or any associate of any such persons or of those entities; and
- > Item 8 (Approval of Option Incentive Plan) - any votes cast by any person who may participate in any issue of options or any associate of such a person.

However, in each case the Company will not disregard a vote if:

- > It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- > It is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides. In accordance with Listing Rule 14.23 the manner in which the Chairman intends to cast any undirected proxies given to him is set out on the proxy form.

Venue for Meeting

The Annual General Meeting is to be held at the ASX Lecture Theatre, Level 5, 123 Eagle Street, Brisbane, Australia at 10.30am (AEST) on 30 November 2005.

Determination of entitlement to attend and vote at the Meeting

The Company has determined, in accordance with the Corporations Act, that for the Meeting or any adjourned meeting, shares will be taken to be held by those persons recorded in the Company's register of members as at 7.00pm AEST on Monday 28 November 2005.

Depository Interest ('DI') holders (UK only) wishing to attend the Meeting are required to request the appropriate authority from the depository interest trustee, and registered shareholder, Computershare Company Nominees Limited. A request can be made by returning the form at the bottom of the Form of Instruction sent to DI holders. Please note that DI holders are not permitted to vote in person at the Meeting.

Voting by proxy

A shareholder who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote at the Meeting on behalf of that shareholder. A proxy need not be a shareholder of the Company. If a shareholder is entitled to cast two or more votes at the Meeting, the shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment does not specify the proportion or the number of the shareholder's votes that each proxy may exercise, each proxy may exercise half of the shareholder's votes on a poll.

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Proxies may be lodged with the Company:

- > By mail: Virotec International Ltd,
PO Box 188, Sanctuary Cove QLD 4212
- > By facsimile: +61 7 5530 8052

Proxies may be lodged with the Company's share registry, Computershare Investor Services:

- Australia: > By mail: GPO Box 523, Brisbane QLD 400
- > By facsimile: +61 7 3237 3152
- United Kingdom: > By mail: PO Box 82, The Pavillions, Bridgewater Rd, Bristol BS99 7 NH
- > By facsimile: +44 870 703 6101

To be effective, the Company must receive the completed proxy form and, if the form is signed by the shareholder's attorney or authorised representative, the authority under which the proxy form is signed (or a certified copy of the authority) by no later than 10.30am AEST on 28 November 2005.

A DI Holder may only vote by giving their instructions on the enclosed Form of Instruction to the registered shareholder of their shares, Computershare Company Nominees Ltd. This Form of Instruction is required to be received by Computershare Company Nominees Ltd by 5.00pm (GMT) on 26 November 2005. DI Holders are not entitled to vote in person at the Meeting.

EXPLANATORY NOTES

Item 1: Financial Statements and Reports

The Corporations Act and the constitution of Virotec International Ltd (the “Company” or “Virotec”) require the following reports in respect of the financial year of the Company ended 30 June 2005 to be laid before the Meeting:

- > The Financial Report (which includes the financial statements and Directors’ declaration); and
- > The Directors’ Report and the Auditor’s Report.

Shareholders will be given a reasonable opportunity at the Meeting to ask questions and make comments on these Reports and on the business, operations and management of the Company and the consolidated group.

There is no requirement either in the Corporations Act or the Company’s constitution for shareholders to approve the Financial Report, the Directors’ Report or the Auditor’s Report.

Item 2: Directors’ Remuneration Report

The Corporations Act requires that the section of the Directors’ report dealing with the remuneration of Directors, the Company Secretary and senior executives (‘remuneration report’) be put to the vote of shareholders for adoption.

Following consideration of the remuneration report, the Chairman will give shareholders a reasonable opportunity to ask questions about or to make comments upon, the remuneration report.

Item 3: Election of director

Dr David McConchie

Dr David McConchie is a Professor of Engineering and Environmental Geochemistry in the Centre for Coastal Management at Southern Cross University and a co-founder of the Centre for Research on Acid Sulphate Soils. He gained his MSc in geology (with distinction) in 1978 from the University of Canterbury, New Zealand and was awarded a PhD in 1985 by the University of Western Australia. He has published over 60 research papers and 5 books. Dr David McConchie was appointed as a Director in July 2000.

Dr McConchie is an inventor of several of the Company’s technologies and leads a research team examining new applications of the existing technologies and developing new technologies as well as providing invaluable advice in relation to the to the Company’s ongoing application of these technologies.

In accordance with the Company’s constitution, Dr McConchie automatically retires at the next meeting of members and, being eligible, has offered himself for re-election as a director of the Company.

The Company’s remaining directors recommend to members that Dr McConchie be re-elected.

Item 4: Removal from the Official List of ASX

In July 2001, the Company was listed on the Alternative Investment Market of the London Stock Exchange (‘AIM’). At present its shares can be traded on both the ASX and AIM. The Company considers that to move into the next phase of its business development it is beneficial to seek approval from the ASX to be removed from its Official List and to trade solely on AIM. The Company considers it important that its shareholders are involved in any decision to cease trading on ASX and to make AIM the only market for trading shares in the Company.

Pursuant to listing rule 17.11, the Company may request removal from the Official List of ASX. ASX is not required to act on the Company's request to be removed or it may require conditions to be satisfied before removing the Company from the Official List.

In September 2005, the Company sought ASX's opinion on what conditions it will agree to the Company's removal from ASX. ASX's response to the request was that it would be minded to approve the application to be removed from the Official List of ASX provided that several conditions are met, namely by:

- > providing certain information in relation to the proposed removal with this notice of general meeting;
- > releasing this notice of general meeting to the market;
- > obtaining shareholder approval for this resolution; and
- > making a formal request to ASX for removal from the official list.

Considerations in seeking removal from ASX

Since achieving its AIM listing in 2001, the Company's activities have an increasingly European focus. Operationally, the Company has two offices and a laboratory located in England, and a research and production facility located in Italy. Also, the Company's Executive Chairman, CEO and the majority of the senior executive are based in England. It is also expected that the vast majority of the Company's future business will be located in the Northern Hemisphere.

AIM was established in 1995 as the London Stock Exchange's global market for growing companies and has been highly successful. As of 31 August 2005, it has 1,292 entities listed with a market capitalisation of £48.2 billion. Turnover for the period of January to August 2005 was £26.2 billion.

In terms of capital raising, since its AIM listing, the Company has raised a large amount of capital (approximately \$40 million) from UK and European investors by way of share placements. During the same period, no funds have been raised in Australia, except for a limited amount being raised by various employees exercising options. It is anticipated that the focus on any future capital raising will be in the UK, rather than Australia.

In terms of general market interest in the Company, two independent research papers have been prepared by brokers based in England. (No research papers have been written in Australia since 2001.)

In addition, over the last 2 years strong trading volume in the Company's shares on AIM indicates a substantial level of interest in the Company. The volume of trading conducted on ASX is comparatively small, representing approximately 5% of current trading volumes on AIM after adjusting for trading conducted on ASX by UK investors. The relative percentage of trading in Australia has been steadily falling over the last two years. In addition, the volume of trading on ASX itself has fallen, evidenced by the Company's removal from the S&P/ASX300 index in September 2005 due to its poor relative liquidity.

Approximately 75% of the Company shares are held by shareholders who have registered addresses outside Australia, approximately 72% of which are registered in Europe. The Company has been advised that negative perceptions attach to it in Europe due to the ASX listing when only a small proportion of the total issued shares are held in or traded on the Australian market. It is expected that trading solely on a European market will reduce these negative perceptions.

If approved by shareholders, the removal of Virotec from the official list of ASX will take place no earlier than one month after the date on which shareholder approval is granted.

Advantages and disadvantages of removal from ASX

Given that only a small amount of the Company's operations occur in Australia and also the Company's lack of liquidity in the Australian market (evidenced by the Company's removal from the S&P/ASX300 index in September 2005 due to its poor relative liquidity), on a cost benefit analysis, the cessation of the ASX listing is beneficial to the future business of the Company.

Further, given the current operational focus, the cost of maintaining the Australian listing is no longer justified. A direct benefit of the proposed delisting will be a reduction in the need to comply with the reporting obligations of two markets, thereby allowing management to focus on the Company's overseas business. Similarly, achieving a reduction in the administrative time and costs incurred in the maintenance of the dual listing would be in the interests of all shareholders.

Shareholders will be able to trade shares in the Company via Australian brokers and settle their trades in Australian dollars. Alternatively, shareholders can contact one of the members of the London Stock Exchange who are AIM designated brokers (there are more than 60) who will be able to facilitate trading of their shares on AIM.

The settlement period for trades conducted in shares held in an electronic form is day of trade plus 3 clear days (T+3) (as on ASX). Settlement of trades conducted in paper form (if any) will occur in T+10. Practically however, it is likely that the receipt of settlement funds following a trade will take longer for non UK based investors due to time zone differences and changes in currency.

Shareholders may be required to establish a relationship with a different broker from the broker the shareholder currently uses (either in Australia or the UK), which may result in an increase in transaction costs, due to the requirement to set up an account with a UK broker, funds transfer fees and any currency exchange fees.

Arrangements following removal from ASX

Following removal from the Official List of ASX, there will only be limited changes to the Company's circumstances. The Company will remain incorporated in Australia and subject to Australian law, most notably the Corporations Act. The Company will continue to be subject to the AIM Rules which are available through the AIM website at www.londonstockexchange.com.

There will be only limited changes to the manner in which information is disclosed by the Company. Information regarding the Company will no longer be released to (or be available through) ASX. Announcements and financial reports released by the Company will be available from www.londonstockexchange.com, the Company's website (www.virotec.com) and will be lodged with, and available from, ASIC. Further, and as always, shareholders can contact the Company to request paper copies of all announcements and financial reports of the Company.

In relation to the substance of the information that the Company must disclose, the Company will no longer be required to comply with the continuous disclosure requirements of the ASX Listing Rules, the general requirement of those rules being that a company must, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the company's securities, disclose to ASX that information (Listing Rule 3.1)

However, the Company will continue to be bound by the continuous disclosure requirements of the Corporations Act, which by virtue of sections 674 and 675 similarly requires that if a company becomes aware of information that is not generally available and that a reasonable person would expect to have a material

effect on the value of the securities of the company, that information must be provided to ASIC.

Further, the Company is also bound by Rule 11 of the AIM Rules for companies, which provides that a company must issue notification, without delay, of any developments which are not public knowledge and that if made public, would be likely to lead to a substantial movement in the price of the securities of that company. Accordingly, equivalent disclosure to market is required, notwithstanding any removal from the Official List of ASX.

There will be no change to the Company's financial reporting. Financial statements will be prepared under Australian GAAP and then Australian IFRS as for any other Australian public company. This information will be available in the same way as all other information disclosed by the Company, as set out above.

Market prices are available free on the internet from a number of financial websites, including:

www.londonstockexchange.com;
<http://uk.finance.yahoo.com>;
www.bloomberg.com;
<http://investing.reuters.co.uk/stocks>; and
<http://www.ft.com>.

Market prices are also published in the London Times daily and the London Financial Times on Saturdays (newspapers which are available in selected outlets in Australia). Alternatively, market prices are available from any of the brokers mentioned above. If the Company delists from ASX, market prices will no longer be available in Australian newspapers.

Following delisting from ASX, it is most likely that Australian holders of the Company shares will be issued with shares in a certificated form. These certificates will be tradeable in their paper form or can be converted to an electronic form once a relationship has been established with a broker in the UK. Holders will continue to have the ability to buy and sell shares in the Company despite the removal from the ASX. Further, trading in the Company shares will continue on AIM uninterrupted and with no changes.

It is anticipated that the Company will be able to make arrangements so that shareholders will be able to trade the Company's shares through certain Australian brokers and settle their trades in Australian dollars. As noted above, it is anticipated that receipt of settlement funds by Australian investors following a trade (electronic) may be delayed beyond T + 3. It will be possible however, for holders to deal directly with one of the 60 plus members of the London Stock Exchange who are AIM designated brokers.

The Company has been advised that brokerage rates in the UK are generally in the range of 1%-2% of the value of the trade for a parcel of shares worth A\$10,000. As noted above, the transactional costs for each trade may be higher, due to any account requirements of overseas brokers, funds transfer fees and currency exchange fees.

How to trade in shares following the Company's delisting from ASX

In the event the Company is delisted from ASX, shareholders will no longer be able to trade shares via ASX. Shareholders in the Company will instead be able to trade shares via AIM only. Broadly, shareholders will be able to trade shares in a similar manner as for ASX listed companies by liaising with their broker. The process is likely to take longer than currently experienced by Australian registered holders due to the fact that trading will take place in the UK. Steps which Australian registered shareholders will take in order to trade shares in the Company are as follows:

1. Receive share certificate from the Company's share register – this will enable shareholders to trade on AIM (and must be kept in a safe place as it is proof of ownership of shares in the Company)
2. Contact Australian or UK broker in regard to trading in shares in the Company.
3. Establish account with Australian or UK broker and follow steps outlined by them in order to establish relationship with them. (Australian brokers are likely to have a relationship with a party in the UK in order to facilitate trading on AIM).
4. (If selling) provide the share certificate to broker along with any other documents requested by the broker (see points 3. and 5.).
5. Broker will advise whether it is advisable for the shareholder to convert their holding to an uncertificated holding or trade in a certificated environment. If the sale is to be conducted in an electronic form, the broker will request completion of either a CREST Dematerialisation Form or a CREST Transfer Form. The broker will then be able to place an order on a shareholders behalf.
6. Broker will place the order on the shareholder's behalf. Once the trade is effected:
 - (a) if uncertificated the trade will take place in T + 3 + time needed to provide funds internationally
 - (b) if certificated the trade will take place in T + 10 + time needed to provide funds internationally.
7. Once arrangements are in place with a broker and the shares are uncertificated, trading will be able to take place by shareholders simply contacting their broker as they do currently. (Note – some online brokers may not have arrangements in place in order to facilitate trading on AIM).

It may take time in order for steps 3, 4, 6 and 7 to be completed due to timing differences in dealing with parties in the UK, transferring funds to the UK (if required) and international postage.

If the Company proceeds to request removal from the Official list of ASX, the Company will issue a letter detailing the process by which share trades can be effected on AIM. This letter will include the details of several Australian and UK brokers that can be contacted by shareholders to effect any trades on AIM.

Item 5: Issue of options to Neil Bardach

The Company proposes to grant 5,000,000 options to acquire ordinary shares ('Options') to Neil Bardach. The proposed issue is in accordance with the Virotec Option Incentive Plan previously approved by members. The general terms of these Options are the same as that which will apply to any Options issued under that plan, with some additional conditions as noted in these explanatory notes. Specifically, prior to the grant of the Options to Mr Bardach, the Board will consider, and may include, performance based hurdles as additional terms of the grant of the Options.

Neil Bardach was a non-executive director of the Company until standing down from the board following his appointment as CEO of Virotec USA Inc, a wholly owned subsidiary of the Company, in September 2005. Neil is now responsible for all of the North American operations of the Virotec Group including implementation of projects and developing the business. Neil has been given significant responsibility and it is expected that he will play a significant role in the Company's future.

The Board believes the issue of Options to Neil Bardach will provide these participants with an appropriate incentive to build the business, seek to maximise the returns to shareholders over the long term and assist in developing a unity of purpose for both the Company management and shareholders.

ASX Listing Rule Requirements

Listing Rule 10.11 provides that a listed company must not, without the approval of ordinary shareholders, issue equity securities to a related party. A director and a person who has been a director within six months of the date of the Meeting are related parties for the purposes of the Listing Rules. Neil Bardach has been a director of the Company within six months of the date of the Meeting. Listing Rule 10.14 also requires the approval of holders of ordinary securities prior to a director acquiring securities under an employee incentive scheme.

In the case of ASX Listing Rule 10.11 specific information must be provided to shareholders in accordance with ASX Listing Rule 10.13. Similarly, in connection with approval under ASX Listing Rule 10.14 information must be provided to shareholders in accordance with ASX Listing Rule 10.15. The specific information required is set out below.

None of the exceptions to the prohibition which are set out in Listing Rule 10.12 apply to the issue of the Options to Neil Bardach.

By reason of Listing Rule 7.2 (Exception 14), if the approval of shareholders for the issue of the Options is obtained pursuant to Listing Rule 10.11, approval is not required pursuant to Listing Rule 7.1. This means that the proposed issue of the Options to Neil Bardach will not erode the Company's ability to issue equity securities up to the 15% limit prescribed by Listing Rule 7.1 without further shareholder approval.

Corporations Act requirements - related party transactions

Section 208(1) of the Corporations Act provides that a public company must not, without the approval of the Company's members, give a financial benefit to a related party. Neil Bardach is a related party of the Company for the purposes of section 228(2) of the Corporations Act as he has been a director of the Company within six months of this Meeting. The issue of the Options will constitute the giving of a financial benefit to a related party for the purposes of section 229(3)(e) of the Corporations Act. None of the exceptions to the requirement for member approval set out in sections 210 to 216 of the Corporations Act apply to the issue of Options to Neil Bardach.

In accordance with section 219(1) of the Corporations Act the Company is required to provide specific information in respect of the financial benefit to be given by the Company Neil Bardach who has been a director of the Company within six months of this Meeting:

Information in respect of the potential financial benefits to Neil Bardach

It is proposed that 5,000,000 Options will be issued to Neil Bardach, within 10 days after the Annual General Meeting. The Options will be issued for nil consideration. The terms of issue of the Options are set out in the Option Incentive Plan annexed to this Notice of Meeting. It is proposed that the Options be granted on the following basis:

| Number | Exercise Price | Exercise Date (vesting date) | Expiry Date | Value of each option as at 30/09/05 using Black Scholes* calculation |
|---------------|-----------------------|-----------------------------------------|--------------------|-----------------------------------------------------------------------------------------|
| 1,000,000 | \$1.00 | 1 July 2006 | 30 September 2010 | \$0.56 |
| 1,000,000 | \$1.00 | 1 July 2007 | 30 September 2011 | \$0.60 |
| 1,000,000 | \$1.00 | 1 July 2008 | 30 September 2011 | \$0.60 |
| 1,000,000 | \$1.00 | 1 July 2009 | 30 September 2012 | \$0.64 |
| 1,000,000 | \$1.00 | 1 July 2010 | 30 September 2012 | \$0.64 |

* The Black-Scholes model is used to calculate a theoretical value for each option using the five key determinants of an option's price: stock price, strike price, volatility, time to expiration, and short-term (risk free) interest rate.

The remuneration packages of executives are structured such that there are significant incentives for increasing the Company's revenue, profit and shareholder value. The proposed issue of Options forms part of a remuneration package negotiated with Neil Bardach during August and September 2005, at which time the average share price was approximately \$0.90. As of 10 October 2005, the Company's share price was \$0.875.

If the share price of the Company is in excess of \$1.00 at the time Mr Bardach exercises the Options issued to him in accordance with this proposed resolution Mr Bardach will receive a financial benefit in the amount of the difference between the exercise price (\$1.00) and the share price, at the time of exercise. If however, the share price remains below \$1.00 at the time Mr Bardach exercises the Options, he will not receive any financial benefit from having exercised the Options.

If all the Options the subject of this resolution are granted and exercised then the Company's fully paid share capital will be diluted by approximately 2.1% (based on the Company's existing number of shares on issue). If exercised the Company will receive \$1.00 for each option, giving a possible amount of \$5,000,000 which may in time be received by the Company. At this time it is envisaged that any funds received on exercise of these Options will be used for general working capital purposes.

The current shareholding of Neil Bardach is 105,000 ordinary shares. In the event all of the Options granted are exercised, his shareholding would be 5,105,000 shares or 2.1% of the Company's issued capital. The directors consider that the incentive represented by the grant of the Options to Neil Bardach is a cost effective and efficient performance incentive when compared to other forms of incentive. The primary purpose of the Options is to reward performance and to provide an incentive. Given this purpose, directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options, the subject of this resolution.

The Board, namely directors Bruno Bamonte, Brian Sheeran, John Glynn and Dr David McConchie recommend that the shareholders vote in favour of this resolution. The Board believes it is appropriate (and desirable) to properly incentivise Mr Bardach in regard to his employment as a key employee of the Company.

Item 6: Amendment to the Option Incentive Scheme

The existing Option Incentive Scheme previously adopted by the Company is to be amended so that clauses 9 (Change of Control) and 12 (No Employment Contract), definitions relating to those clauses and general terms in clause 6 (Exercise of Options) regarding the Boards discretion to allow employees who have been terminated or have resigned to retain the options that have been granted to them notwithstanding the termination or resignation, are inserted.

The Change of Control clause (clause 9) sets out a procedure to be followed in the event that the Company undergoes a restructure or is otherwise taken over. Essentially this provides a level of certainty to option holders in the event that a change of control does occur. Under the previous terms, it was unclear as to what action would be taken in respect of options if a change of control occurred. The amendment provides a mechanism for the Company to determine the manner in which the options will be dealt if a change of control event has, or is going to occur.

The No Employment Contract clause (clause 12) has been inserted to clarify the relationship between the Company and those employees who have been issued options. This provision is standard for an employee option scheme and does not alter the relationship between the Company and the option holders.

The complete Option Incentive Scheme with the proposed amendments included and underlined for identification, is attached as Annexure A.

Item 7: Approval of previous issues of shares

As noted above, there is a limit on the number of securities that may be issued by the Company in any 12 month period without the approval of its shareholders. In general terms, apart from certain specific exceptions, ASX Listing Rule 7.1 restricts the Company to issuing securities representing a maximum of 15% of the number of its securities on issue in any 12 month period unless it obtains the prior approval of its members.

ASX Listing Rule 7.4 however, provides that an issue of securities made without prior approval under Listing Rule 7.1 can be treated as having been made with that approval if the issue of securities did not breach Listing Rule 7.1 and shareholders of the issuing entity subsequently approve it.

By this resolution the Company seeks to obtain shareholder approval in respect of 31,000,000 shares issued in a placement on 15 July 2005 for the purposes of ASX Listing Rule 7.4, so as to refresh its ability to issue securities representing up to 15% of the Company's issued capital over the next 12 months without the prior approval of members. It should be noted however, that the Company has no present intention at this stage to issue any further ordinary shares in this financial year.

The issue of 31,000,000 ordinary shares by the Company did not breach ASX Listing Rule 7.1 and subsequent shareholder approval is now being sought in relation to the shares issued by the Company, pursuant to ASX Listing Rule 7.4.

The Company issued a total of 31,000,000 ordinary shares on 15 July 2005 at a price of GBP£0.30 (approximately A\$0.71) per share. The proceeds from the issue are being used for the following purposes:

- > Expand sales and marketing infrastructures in Europe;
- > Expand sales and marketing infrastructures in USA;
- > Streamline and expand product distribution in the USA, Europe and Australia; and
- > General working capital.

The 31,000,000 shares were allotted to a number of institutional investors based in the United Kingdom. All of the shares issued rank equally with the existing ordinary shares in the capital of the Company.

Item 8: Approval of Option Incentive Scheme

The approval of shareholders is sought to the continued operation of the Company's existing Option Incentive Scheme ('Scheme') pursuant to the provisions of ASX Listing Rule 7.1. The ASX Listing Rules do not specifically require a listed company to obtain shareholder approval for the continued operation of an incentive scheme (subject to certain exceptions), however, ASX Listing Rule 7.1 prohibits listed companies issuing, in any 12 month period, more than 15% of the number of shares on issue at the start of that period without shareholder approval. Issues under incentive schemes are taken into account for this 15% limit unless the issue of shares under the Scheme has been approved by the Company's shareholders within the preceding 3 years under Listing Rule 7.2 Exception 9(b).

The Board has the power to establish and generally to issue options and consequently shares under the Scheme, however, the Company considers it prudent to seek shareholder approval so that such issues will not be taken into account for the purpose of the 15% limit under Listing Rule 7.1. The Company believes that it is appropriate and desirable to maintain this maximum flexibility to access capital.

The Scheme was first adopted in 2000 and amended in 2002. As of 30 September 2005, there are 1,035,000 Options on issue under the Scheme. Of these:

- > 320,000 options are exercisable between now and 30 September 2006 at \$0.50 each;
- > 12,500 options are exercisable between now and 31 March 2007 at \$0.50 each; and
- > 702,500 options are exercisable between now and 30 September 2007 at \$0.50 each.

The Scheme offers participants an opportunity to acquire an interest in the Company and participate in the rewards that are anticipated for all shareholders through the increased involvement and commitment of the employees.

SUMMARY OF TERMS OF PLAN

Eligibility

From time to time, the Board may offer options to employees of, or contractors to, the Company that the Board considers to be eligible to receive Options under the Scheme.

Eligible employees may also from time to time include Directors of the Company, although any issue to a Director will require prior shareholder approval under Listing Rule 10.14, which will be sought separately as required. Options issued to Directors do not necessarily have to be made under the terms of the Scheme.

Granting of Options

Options are granted on the basis of one option over one unissued ordinary share in the Company.

Option Price

Eligible employees will not be required to pay any consideration for Options to be issued to them under the Scheme.

The exercise price for the options is determined as an amount equal to the weighted average sale price of the Company's Shares sold during the 10 trading days immediately prior to the date of the grant of options to an employee, or such higher price as the Board determines.

A full copy of the amended Scheme is attached as Annexure A.

OPTION INCENTIVE SCHEME

Approved by shareholders: 29 November 2000

Amended: 27 November 2002

Amended: 30 November 2005

OPTION INCENTIVE SCHEME

TERMS AND CONDITIONS

1. PLAN

The Plan involves the issue to Eligible Employees of Options to acquire fully paid ordinary shares in the Company on these terms and conditions.

2. DEFINITIONS

In these terms and conditions, except to the extent the context otherwise requires:

'AIM' means the Alternative Investment Market of the London Stock Exchange;

'ASX' means Australian Stock Exchange Limited ACN 008 624 691;

'Board' means the board of directors of the Company;

'the Company' means Virotec International Ltd ACN 004 801 398;

'Eligible Employee' means any Employee who is designated by the Board as an Eligible Employee for the purposes of the Plan including directors of the Company;

'Employee' means any full-time or part-time employee of or contractor to the Company or its related bodies corporate;

'Exercise Date' means the date after which the Eligible Employee may exercise an Option;

'Exercise Price' means the price at which an Option may be exercised, being an amount calculated in accordance with clause 6.2;

'Grant Date' means the date on which the Eligible Employee is granted an Option;

'Group' means the Company and each of its Subsidiaries;

'Expiry Date' means the date by which an Eligible Employee must exercise an Option;

'Listing Rules' means the Listing Rules of ASX or the AIM rules as applicable and as varied from time to time;

'Option' means an option to acquire a Share to be issued in accordance with the Plan;

'Plan' means this employee share option plan;

'Related Body Corporate' has the meaning given to it by the Corporations Law;

'Restructure Corporation' means a body corporate which becomes a parent company of the Company following commencement of the Plan and whose shares become the subject of the Options granted under the Plan in accordance with these rules.

'Share' means a fully paid ordinary share in the Company;

'Subsidiary' means a company which is a subsidiary of a body corporate for the purposes of the Corporations Law;

3. ADMINISTRATION OF THE PLAN

Subject to the Listing Rules the Board will administer the Plan only in accordance with these terms and conditions.

4. ELIGIBLE EMPLOYEES

The Board may from time to time and at its absolute discretion resolve to designate an Employee as an Eligible Employee for the purposes of the Plan.

5. ISSUE OF OPTIONS

- 5.1 The Board may from time to time resolve to invite, on terms and conditions the Board determines, an Eligible Employee to apply for any number of Options in the form set out at Attachment 1 of this Plan. The Board shall maintain a Register of Grant of Options in the form set out at Attachment 2 of this Plan.
- 5.2 Any invitation issued by the Board to an Eligible Employee must state the total number of Options for which the Eligible Employee may apply, the Grant Date, the Exercise Date, the Exercise Price, the Expiry Date, any other terms and conditions attaching to the Options and any other matters required to be specified by the Corporations Law or Listing Rules.
- 5.3 The Board must not issue Options if the total number of Shares relating to unexercised and unexpired Options existing or which would be issued if all invitations for Options were accepted exceeds 15% of the total number of issued Shares as at the date the Board proposes to issue the Options.
- 5.4 Eligible Employees will not be required to pay any consideration for Options to be issued to them. The Company will, within 20 business days following the Grant Date of an Option, issue to the Eligible Employee to whom the Option was granted a certificate in his or her name executed by the Company under seal and specifying the number of Shares the subject of the Option and the Exercise Price in respect thereof.

6. EXERCISE OF OPTIONS

- 6.1 An Option issued to an Eligible Employee will entitle the holder of that Option to acquire a Share:
 - 6.1.1 at any time after the Exercise Date;
 - 6.1.2 at the Exercise Price; and
 - 6.1.3 otherwise in the manner required by the Board and specified in writing to the Eligible Employee at the time the Option is issued.
- 6.2 The Exercise Price of an Option will be the weighted average sale price of the Company's Shares sold during the 10 trading days immediately prior to the Grant Date or, if there has been no trading during this time, at the average price calculated on the last 5 sales, or such higher price as the Board determines, but in any event will be no less than any minimum for the Exercise Price required by the Listing Rules.
- 6.3 Subject to clauses 6.4, 6.5 and 6.6, the holder of an Option may exercise their Option on the Exercise Date and must exercise their option by the Expiry Date.
- 6.4 If during the period between the Grant Date and the Exercise Date:
 - 6.4.1 the Eligible Employee is lawfully terminated, their Option will immediately lapse (unless within 60 days of the Eligible Employee's lawful termination the Board in its absolute discretion decides to allow the Eligible Employee to exercise the Option within a specified number of days of the Eligible Employee's lawful termination or by the Expiry Date);
 - 6.4.2 the Eligible Employee resigns, their Option will immediately lapse (unless within 60 days of the Eligible Employee's resignation the Board in its absolute discretion decides to allow the Eligible

Employee to exercise the Option within a specified number of days of the Eligible Employee's lawful termination or by the Expiry Date);

- 6.4.3 the Eligible Employee dies, their Option will immediately lapse (unless within 60 days of the Eligible Employee's death the Board in its absolute discretion decides to allow the representative of the Eligible Employee's estate to exercise the Option within a specified number of days of the Eligible Employee's death or by the Expiry Date);
 - 6.4.4 the Eligible Employee becomes disabled and (in the opinion of a medical practitioner nominated by the Board) is unable to perform their normal duties, their Option will immediately lapse (unless within 60 days of the Eligible Employee's death the Board in its absolute discretion decides to allow the Eligible Employee to exercise the Option within a specified number of days of the Eligible Employee's disability or by the Expiry Date);
 - 6.4.5 the Eligible Employee is made redundant, their Option will immediately lapse (unless within 60 days of the Eligible Employee's redundancy the Board in its absolute discretion allows the Eligible Employee to exercise the Option within a specified number of days of the Eligible Employee's redundancy or by the Expiry Date).
- 6.5 If during the period between the Exercise Date and the Expiry Date:
- 6.5.1 the Eligible Employee is lawfully terminated, the Option will immediately lapse (unless within 30 days of the Eligible Employee's lawful termination the Board in its absolute discretion decides to allow the Eligible Employee to exercise the Option within a specified number of days of the Eligible Employee's lawful termination or by the Expiry Date);
 - 6.5.2 the Eligible Employee resigns, their Option will immediately lapse (unless within 30 days of the Eligible Employee's resignation the Board in its absolute discretion decides to allow the Eligible Employee to exercise the Option within a specified number of days of the Eligible Employee's lawful termination or by the Expiry Date);
 - 6.5.3 the Eligible Employee dies, the representative of the Eligible Employee's estate may exercise the Option by the Expiry Date;
 - 6.5.4 the Eligible Employee becomes disabled and (in the opinion of a medical practitioner nominated by the Board) is unable to perform their normal duties, the Eligible Employee may exercise their Option within a specified number of days (determined by the Board) of the Eligible Employee becoming disabled or (in the absence of such a determination by the Board) by the Expiry Date;
 - 6.5.5 the Eligible Employee becomes redundant, their Option will immediately lapse (unless within 30 days of the Eligible Employee's redundancy the Board in its absolute discretion allow the Eligible Employee to exercise the Option within a specified number of days of the Eligible Employee's redundancy or by the Expiry Date).
- 6.6 Except where the Board has provided its prior written consent, an Eligible Employee may only exercise their option within one month of the release to the market of:
- 6.6.1 the halfyearly financial statement; and
 - 6.6.2 the annual financial statement.

7. RIGHTS ATTACHING TO OPTIONS

- 7.1 In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the number of Options or the Exercise Price or both will be adjusted (as appropriate) to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation. In all other respects the terms for the exercise of the Options shall remain unchanged.
- 7.2 Until Shares are issued pursuant to the exercise of Options, the holders of an Option shall not participate in dividends on Shares or, subject to clause 7.3, new issues of securities by the Company.
- 7.3 In the event of any pro rata bonus or cash issues of securities by the Company, the number of Shares over which an Option exists and the Exercise Price will be adjusted in the manner specified in Listing Rule 6.22 and in writing to the Eligible Employee at the time the Option is issued.
- 7.4 Options may be transferred only with the prior written consent of the Board. The Company will not apply to the ASX for official quotation of any of the Options.

8. ISSUE OF SHARES

- 8.1 The Board will issue Shares after Options have been exercised, in accordance with clause 6, once the relevant Exercise Price has been paid to the Company, at the next succeeding Board meeting and, in any event, within 20 business days after receiving notice of the exercise of the Options.
- 8.2 If the Company's shares are officially quoted by ASX at the time any Shares are issued pursuant to the exercise of Options, the Company will apply to ASX for official quotation of such Shares issued pursuant to the exercise of Options within the time prescribed by the Listing Rules and, in any event, within 10 business days of the issue of those Shares.
- 8.3 A Share issued pursuant to the exercise of any Options will rank equally in all respects with existing Shares.

9. CHANGE OF CONTROL EVENT

- 9.1 A Change of Control Event occurs where:
- 9.1.1 the Company becomes a subsidiary of another corporation;
 - 9.1.2 there is a sale of the business of the Company other than to a company in the Group;
 - 9.1.3 where a company which is a Subsidiary ceases to be a Subsidiary of the Company; or
 - 9.1.4 any other reorganisation of the Group results in a Eligible Employee ceasing to be an Eligible Employee.
- 9.2 Where a Change of Control Event has or in the option of the Board will occur the Board may determine the manner in which the Options will be dealt with, so that the Eligible Employee remains as at the date of the determination in a financial position in respect of the Options which is as near as possible as to that which existed prior the Change of Control Event occurring.
- 9.3 In making their determination the Board may choose one of the following methods of dealing with the Options:
- 9.3.1 allowing the Eligible Employees affected by the Change of Control to exercise either all or a proportion of their Options within such time as determined by the Board after which the Options will lapse; or

9.3.2 arranging for the new parent company of the Company (or new parent of the Subsidiary) to become a Restructure Corporation whereby it agrees to assume the obligations of the Company under the Plan, to be bound by the rules of the Plan and any determination made by the Board of the Company prior to it agreeing to become a Restructure Corporation and to issue to the Eligible Employee Shares in the Restructure Corporation on exercise of the Option or alternatively options to acquire shares in the Restructure Corporation.

9.4 Where Shares in a Restructure Corporation are to be issued on exercise of Options following a Change of Control Event occurring, the Board shall arrange for the Exercise Price of the Options to be suitably adjusted prior to exercise and/or an appropriate number of Shares in the Restructure Corporation to be transferred and issued on exercise of the Option, to reflect differences at that time in the value of the Shares in the Company (determined in accordance with clause 6.2) and the Restructure Corporation, and foreign exchange effects and the capital structures of the Company and Restructure Corporation.

9.5 Where Options in another corporation are to be substituted for Options following a Change of Control Event occurring, the Board shall arrange for the number and terms of Options substituted, the exercise price of those Options and the number of Shares in the other corporation into which the new Options are exercisable to as nearly as possible ensure the financial position of the Eligible Employee whose Options are substituted remains the same if they were able to exercise the substituted Options at the date of substitution.

10. AMENDMENT OF PLAN

Subject to the Listing Rules, the Plan may only be amended by:

- 10.1 a special resolution of the members of the Company in general meeting; or
- 10.2 (and only in the case of minor amendments) to comply with the Corporations Law or to effect technical or non-substantive amendments, resolution of the Board.

11. TERMINATION OF THE PLAN

The Plan may be terminated or suspended at any time by the Board.

12. NO EMPLOYMENT CONTRACT

Nothing in these rules:

- 12.1 Confers upon an Eligible Employee a right to a grant or offer of a grant of Options;
- 12.2 Confers on a Participant or an Eligible Participant the right to continue as an employee of the Company;
- 12.3 Affects the rights of the Company to terminate the employment of an Eligible Employee;
- 12.4 Affects the rights and obligations of any Eligible Employee under the terms of their office or employment with the Company;
- 12.5 Confers any legal or equitable right on an Eligible Employee whatsoever to take action against the Company in respect of their office or employment; nor
- 12.6 Confers on an Eligible Employee any rights to compensation or damages in consequence of the termination of their employment by the Company for any reason whatsoever including ceasing to have rights under the Plan as a result of such termination.

13. INTERPRETATION

In these terms and conditions, except to the extent the context otherwise requires:

- 13.1 Words importing the singular include the plural and vice versa, words importing any gender include other genders and 'person' includes a corporation.
- 13.2 Headings are for convenience only and do not affect the interpretation.

Attachment 1
Grant of Option

VIROTEC INTERNATIONAL LTD ACN 004 801 398

Eligible Employee's Name:

Eligible Employee's Address:

(If applicable) Eligible Employee's Nominee:

(If applicable) Eligible Employee's Nominee's Address:

Number of Options:

Grant Date:

Exercise Date:

Exercise Price:

Expiry Date:

Other Terms and Conditions:

>>> EXPLANATORY NOTES - ANNEXURE A

VIROTEC INTERNATIONAL LTD
ACN 004 801 398

ATTACHMENT 2
Register of Grant of Options

VIROTEC INTERNATIONAL LTD ACN 004 801 398

Eligible Employees Name:

(if applicable) Eligible Employee's Nominee:

| <i>Options Granted</i> | <i>Exercise Date</i> | <i>Exercise Price</i> | <i>Expiry Date</i> |
|------------------------|----------------------|-----------------------|--------------------|
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